



Proving Veteran Business Owners Are Entitled to Receive 51 Percent of Annual Distribution

For corporations, partnerships, and limited liability companies

Issue:

This brief explains the verification requirement that Veteran business owners must provide evidence of entitlement to receive at least 51 percent of the annual distribution of corporation, partnership, or limited liability company (LLC) profits.

(For purposes of this brief, Veteran applies equally to Service-Disabled Veterans; applicant refers to the business entity applying for verification; and participant refers to a business entity that has already been verified.)

The Regulations:

38 CFR § 74.3(d)(1) provides that "[o]ne or more veterans or service-disabled veterans must be entitled to receive [a]t least 51 percent of the annual distribution of profits paid to the owners of a corporate, partnership, or LLC applicant or participant."

38 CFR § 74.3(d)(5) provides that "[a]n eligible individual's ability to share in the profits of the concern should be commensurate with the extent of his/her ownership interest in that concern."

What This Means:

The applicant must furnish the Center for Verification and Evaluation (CVE) with documentary evidence that Veteran business owners are entitled to receive at least 51 percent of the company's annual distribution of profits.

CVE reviews the company's tax documents [Schedule K-1 (Form 1120S)], state and municipal statutes, and, to the extent applicable, the company's by-laws, operating agreement, organizational documents, and other company business documents. CVE examines each owner's percentage of ownership, entitlement to receive a distribution of profits, and historical receipt of profits.

Veteran business owners are not required to draw profits from the company. The key concern is whether the Veteran business owners are entitled to receive at least 51 percent of the company's annual distribution of profits.

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For more information about VA Small and Veteran Business Programs, visit <http://www.va.gov/osdbu>.

**VA Office of Small and Disadvantaged
Business Utilization**

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